The Investment Institute
by UniCredit

Coffee Break

Coffee Break is our daily publication, offering topical insights as an intellectual ingot to start the day.

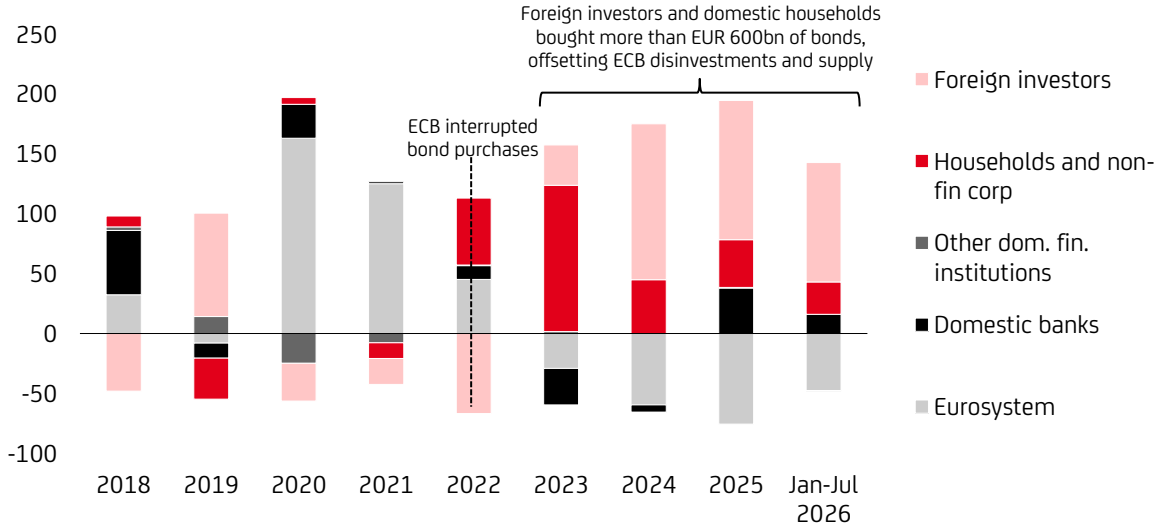
Upcoming BTPs Valore to test Italian household demand for domestic govies

19 October 2026

This week, Italy will launch a new BTP Valore and the inaugural BTP Valore Insieme. The increase in yields is set to support demand, as retail investors tend to be sensitive to absolute yields. The outcome of the transaction could affect BTP valuations more generally, as demand from households will be key going forward amid heavy net supply and the ECB's QT.

WHO IS BUYING ITALIAN GOVIES?

NET PURCHASES OF ITALIAN GOVERNMENT SECURITIES (EUR BN)



Source: Bank of Italy, ECB, The Investment Institute by UniCredit

THE CONTEXT

This week, the Italian Treasury will launch its third retail transaction of the year. For the first time ever, this will be a dual-tranche deal, with Italy offering both a 5Y BTP Valore (with quarterly step-up coupons) and the inaugural 5Y BTP Valore Insieme, which pays a single coupon at maturity. For BTP Valore, the minimum coupon rates were set at 3.7% for the first two years, 4.1% for the third and fourth years and 4.7% for the last year. For BTP Valore Insieme, the single minimum coupon rate is 22.25%.

Based on these coupon rates, the return of both bonds is 4.1%, slightly higher than the yield of a conventional BTP of similar tenor. The Treasury will announce the final coupon rates at the end of the placement. The deal will provide a gauge of retail investor demand for domestic government bonds following the recent sell-off. Moreover, it will be interesting to observe how investors react to the new characteristics of the BTP Valore Insieme, which could influence the Treasury's approach to future bond offerings.



THE DATA

Italian households and non-financial corporations (NFCs) have been key in absorbing domestic government bond supply, buying more than EUR 250bn of these bonds between 2018 and the end of July this year, equivalent to a third of total net supply over this period. As highlighted in our chart, they have become particularly active since 2022, reflecting **1.** higher absolute yields, **2.** the launch of new ad-hoc products, **3.** a more stable internal political picture and **4.** good cash availability. They now hold 16% of total debt, the highest share since 2013.

Improving macroeconomic and fiscal fundamentals also fostered demand from **foreign investors**, who bought around EUR 300bn of BTPs since 2018 and held more than a third of the total securities outstanding in July.

Domestic banks were buyers of EUR 100bn in BTPs over the period considered, but, unlike for households and foreign investors, their purchases showed no clear trend. On the other hand, **domestic fund managers, insurance companies and pension funds** left their holdings almost unchanged. For both categories, their shares (16% and 13% respectively in July) decreased.

This was also the case for the **Eurosystem,** which started reducing EGB holdings with the launch of quantitative tightening (QT). Its share declined to roughly 20% from a peak of almost 35% at the end of 2022. Between 2023 and July 2026, ECB holdings of Italian paper fell by more than EUR 200bn. This amount, together with fresh net supply (EUR 420bn), was mostly absorbed by foreign investors, domestic households and NFCs, which purchased more than EUR 600bn in Italian government securities over this period.

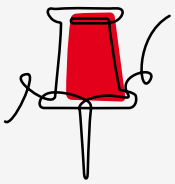


OUR VIEW

Demand for BTPs Valore has been solid since the Treasury launched this bond category in 2023. The latest two transactions, which took place in October 2025 and March 2026, saw the Italian Treasury sell more than EUR 16bn of bonds. Demand at the upcoming deal will be supported by an attractive yield, as the 5Y BTP yield remains close to the upper bound of its range since the start of 2013. The fact that the Treasury might decide to raise the minimum coupon rates announced on Friday at the end of placement represents another advantage of these bonds, whose returns would then be adjusted to reflect potential increases in market yields. In addition, the recent volatility across equity markets might prompt investors to take profit on stocks and reallocate money towards fixed-income markets. That said, with Italian household deposits still exceeding EUR 1tn, there is also room to buy the new BTPs Valore without liquidating other investments. Finally, the presence of the new BTP Valore Insieme might attract demand from those investors that are more interested in the total cashflows as the coupon rate of BTP Valore Insieme (22.25%) is greater than the sum of the coupons of BTP Valore (20.30%), reflecting implicit compounding.

With net supply of Italian govies again expected to be abundant next year and amid ECB portfolio reduction, the role of domestic households in absorbing new issuance is key, especially as they represent a stable investor base and are less sensitive to market news compared to other investors. Against this backdrop, strong demand for the upcoming deal could bode well for the BTP market overall, possibly leading to a tighter spread to German paper.

OTHER THINGS TO NOTE



China: growth holds up, imbalances persist

China's economy gained modest momentum in the third quarter, with GDP growth accelerating to 4.5% yoy from 4.3% in the previous quarter. However, the headline figure masks a two-speed economy. Booming exports and high-tech manufacturing continued to drive growth, while domestic demand remained sluggish. Beijing remains on track to meet its 4.5-5% growth target, as GDP rose 4.6% in the first three quarters of 2026. At the same time, growing reliance on exports increases China's vulnerability to trade tensions, particularly with Europe. (A. Rees)

Author
Francesco Maria Di Bella, FI Strategist (UniCredit, Milan), francescomaria.dibella@unicredit.eu

Editor
Edoardo Campanella, Director and Editor-in-Chief of The Investment Institute (UniCredit, Milan)
edoardo.campanella@unicredit.eu

UniCredit S.p.A
The Investment Institute by UniCredit, Piazza Gae Aulenti, 4, I-20154 Milan

www.the-investment-institute.unicredit.eu

Legal Notices

Glossary

Terms used in the report are available on our website: Our glossary

Marketing Communication

This publication/video constitutes a marketing communication of UniCredit S.p.A., UniCredit Bank Austria AG, Schoellerbank AG and UniCredit Bank GmbH (hereinafter jointly referred to as the "UniCredit Group") is addressed to the general public and is provided free of charge for information only. It does not constitute investment recommendation or consultancy activity by the UniCredit Group or, even less, an offer to the public of any kind nor an invitation to buy or sell securities. The information contained herein does not constitute an investment research or financial analysis since, in addition to the lack of content, it has not been prepared in accordance with legal requirements designed to promote the independence of investment research, and it is not subject to any prohibition on dealing ahead of the dissemination of investment research.

UniCredit Group, including all its group companies may have a specific interest in relation to the issuers, financial instruments or transactions detailed herein. Relevant disclosures of interests and positions held by UniCredit Group are available at: Conflicts of interest Any estimates and/or assessments contained in this publication represent the independent opinion of the UniCredit Group and, like all the information contained therein, are given in good faith on the basis of the data available at the date of publication, taken from reliable sources, but having a purely indicative value and subject to change at any time after publication, on the completeness, correctness and truthfulness of which the UniCredit Group makes no guarantees and assumes no responsibility. Interested parties must therefore carry out their own investment assessments in a completely autonomous and independent manner, relying exclusively on their own considerations of the market conditions and the information available overall, also in line with their risk profile and economic situation. Investment involves risk. Before any transaction in financial instruments please refer to the relevant offering documents. It should also be noted that:

1. Information relating to the past performance of a financial instrument, index or investment service is not indicative of future results.
2. If the investment is denominated in a currency other than the investor's currency, the value of the investment can fluctuate strongly according to changes in exchange rates and have an undesirable effect on the profitability of the investment.
3. Investments that offer high returns can undergo significant price fluctuations following any downgrading of creditworthiness. In the event of bankruptcy of the issuer, the investor may lose the entire capital.
4. High volatility investments can be subject to sudden and significant decreases in value, being able to generate significant losses at the time of sale up to the entire capital invested.
5. In the presence of extraordinary events, it may be difficult for the investor to sell or liquidate certain investments or obtain reliable information on their value.
6. If the information refers to a specific tax treatment, it should be noted that the tax treatment depends on the individual situation of the customer and may be subject to change in the future.
7. If the information refers to future results, it should be noted that they do not constitute a reliable indicator of these results.
8. Diversification does not guarantee a profit or protect against a loss.

The UniCredit Group cannot in any way be held responsible for facts and/or damages that may arise to anyone from the use of this document, including, but not limited to, damages due to losses, lost earnings or unrealised savings. The contents of the publication – including data, news, information, images, graphics, drawings, brands, and domain names – are owned by the UniCredit Group unless otherwise indicated, covered by copyright and by the industrial property law. No license or right of use is granted and therefore it is not allowed to reproduce its contents, in whole or in part, on any medium, copy them, publish them and use them for commercial purposes without prior written authorisation from UniCredit Group unless if purposes of personal use only. E 25/1